

Dear State Partner,

Thank you for participating in the Health Coverage Tax Credit (HCTC) program! By implementing the HCTC program and delivering this credit to your eligible residents, your state can have a lasting impact on their quality of life and sense of security. Across America, each state is doing its part to implement the HCTC program as defined by the Trade Act of 2002, Public Law No. 107-210 (the Act). On August 1, we will begin to register eligible individuals for advance payment of the credit, which helps these individuals pay for qualified premiums as they become due. As this date approaches, we expect there will be greater public awareness and interest in the program. This in turn will generate much more activity for the federal program and possibly for state agencies.

In each state, the Governor's Office, State Workforce Agency and State Department of Insurance are receiving this HCTC State Toolkit. The HCTC Program Office has designed the HCTC State Toolkit for you – our state partners, as a how-to guide to help you apply the law and to identify ways to help one another successfully bring this important benefit to residents in your state.

The HCTC State Toolkit is intended to support the work you're already doing to help certain workers who lose their jobs due to the effects of international trade and certain individuals receiving benefits from the Pension Benefit Guaranty Corporation. Using the toolkit as a guide, you can focus on the specific actions necessary to implement the HCTC program, strengthen partner networks and most importantly, maximize the critical resources candidates receive.

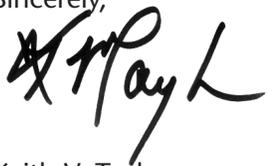
The HCTC Quick Reference Card is provided in the front pocket of this Toolkit as an additional resource. It is a job aid for use along with the HCTC State Toolkit. Additional copies are being mailed to you, under separate cover, for distribution to your state employees who interact directly with HCTC candidates.

Also, a black and white sample of the HCTC Program Kit and registration form are provided in the back pocket of this Toolkit. For your information, these materials are being mailed to HCTC candidates along with a cover letter that explains why they have received the HCTC Program Kit.

Please help us improve this product by completing the HCTC State Toolkit evaluation which can be found on the last page of the toolkit.

Thank you for all you do to support the HCTC program and the candidates in your state.

Sincerely,



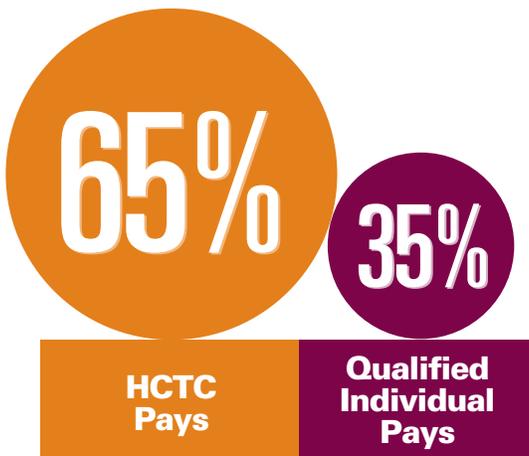
Keith V. Taylor
Director, Health Coverage Tax Credit Program

Health Coverage
Tax Credit

Introduction

Health Coverage Tax Credit

The Health Coverage Tax Credit (HCTC) is an important new program that pays 65% of eligible state residents' health plan premiums for as long as they are eligible. That means they can save 65 cents out of every dollar they're paying now – a benefit that can be a lifesaver in these days of increasing healthcare costs.



The program is a unique partnership among federal agencies, state governments, including governors' offices, key state agencies, and private industry. We need your help to ensure that everyone entitled to the benefit is informed and properly registered as quickly and smoothly as possible. This will be an ongoing process, as new individuals become HCTC candidates over time.

This toolkit explains what the program is and how it works. It also includes information on what your organization can do to participate and how.

You'll find instructive sections dedicated to the Governor's Office, State Workforce Agency, and Department of Insurance in the pages that follow. Employers, employee organizations and advocacy groups should refer to the "General Information" tab.

Please join us in helping your state's residents receive the help to which they are entitled.

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General Information

ABOUT THE PROGRAM

The Health Coverage Tax Credit pays 65% of the cost of premiums for qualified health insurance for eligible individuals and their qualified family members. It is not a government insurance program; private insurers selected by each state (or by employers through COBRA) provide the insurance. Recipients can receive their benefits either in advance – to help pay health plan premiums as they come due – or in a lump sum when they file their federal tax returns. The advance tax credit program becomes operational August 1, 2003.

Who is Eligible?

Nationwide, hundreds of thousands of people are potentially eligible for the program. Some of them are displaced workers who are eligible to receive Trade Readjustment Allowances under the Trade Adjustment Assistance Act (TAA) or will receive benefits under the Alternative Trade Adjustment Assistance (ATAA) program when it begins. Others receive pensions from the Pension Benefit Guaranty Corporation (PBGC).

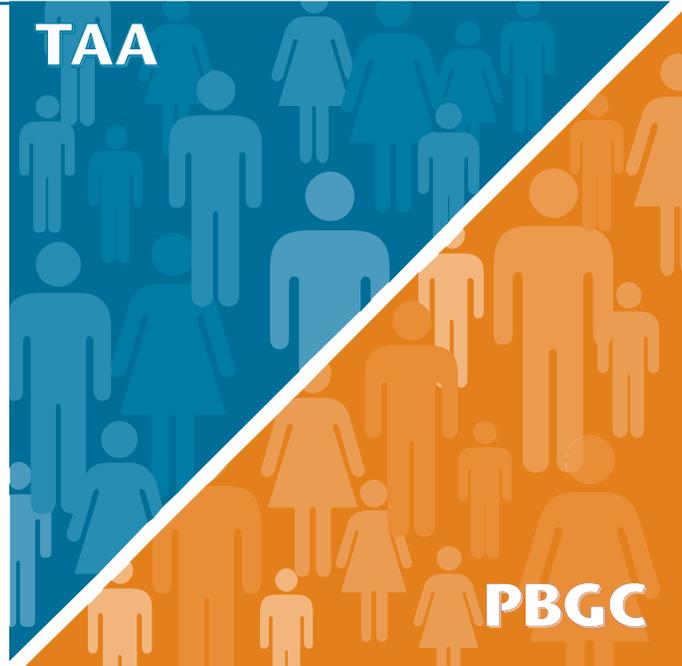


General Information

Over 260,000 Americans Eligible

Which Trade Adjustment Assistance (TAA) Participants Are Potentially Eligible?

- Individuals receiving a Trade Readjustment Allowance (TRA)
- Individuals who would be eligible to receive TRA, but have not yet exhausted their unemployment insurance (UI) benefits
- Individuals receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program



Which Pension Benefit Guaranty Corporation (PBGC) Participants Are Potentially Eligible?

Individuals who are 55 years or older and are one of the following:

- Receiving pension benefits from the PBGC
- Receiving pension benefits from the PBGC as a survivor or beneficiary of a PBGC participant
- Receiving a portion of his or her ex-spouse's benefit from the PBGC as an alternate payee

What Conditions Exclude Individuals from Being Eligible?

Individuals are not eligible for the HCTC for any month if on the first day of such month:

- They are enrolled in a health plan maintained by an employer or former employer that pays (or the employee pays with pre-tax dollars) at least 50% of the cost of coverage
- They are entitled to health coverage under Medicare Part A or enrolled in Medicare Part B
- They are enrolled in your state's Medicaid program
- They are enrolled in the State Children's Health Insurance Program (SCHIP)
- They are enrolled in a plan in the Federal Employees Health Benefit Program (FEHBP)
- They are entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS)
- They are imprisoned by a federal, state or local authority

Individuals are not eligible for the HCTC during any year for which they can be claimed as a dependent on someone else's federal tax return.



General Information

What Health Plans Qualify?

Certain types of health plans automatically qualify for the HCTC program. Each state can also include alternatives. HCTC candidates who are currently uninsured must enroll in a qualified plan in order to receive the HCTC benefit.

Automatic Options

1. COBRA (Consolidated Omnibus Budget and Reconciliation Act of 1986) continuation coverage, unless the employer/former employer pays at least 50% of the cost of coverage
2. Spousal coverage* if the employer (or employee through pre-tax contributions) pays less than 50% of the cost of coverage
3. Individual coverage in which the HCTC candidate was enrolled at least 30 days prior to separation from the job that made him/her eligible for TRA benefits, ATAA benefits, or payments from the PBGC

State Alternatives

1. State High Risk Pool
2. Other State Arrangements
3. State-Based COBRA Continuation Coverage
4. State Worker Plans
5. Plans Similar to State-Worker Plans
6. Purchasing Pool
7. State-Operated Health Insurance Plans



What Conditions Must the State Alternative Health Coverage Meet?

According to the Trade Act of 2002, if a state elects to accept one or more alternative plans as qualified health plans, these plans must meet four additional criteria to qualify. For individuals who have had at least three months of creditable coverage prior to seeking enrollment in one of them, the plan must meet the following requirements:

1. Guaranteed issue: qualifying individuals are guaranteed enrollment regardless of their medical status.
2. No imposition of preexisting condition exclusion: insurance companies must cover all health conditions.
3. Non-discriminatory premium: the health plan must have the same cost for all members, regardless of HCTC participation.
4. Same benefits for both HCTC and non-HCTC members.

The HCTC Program Office will provide updates to all stakeholders if amendments to the Act impact these conditions.

* At this time, the credit with this type of coverage can only be claimed when individuals file their federal tax return and not in advance.



General Information

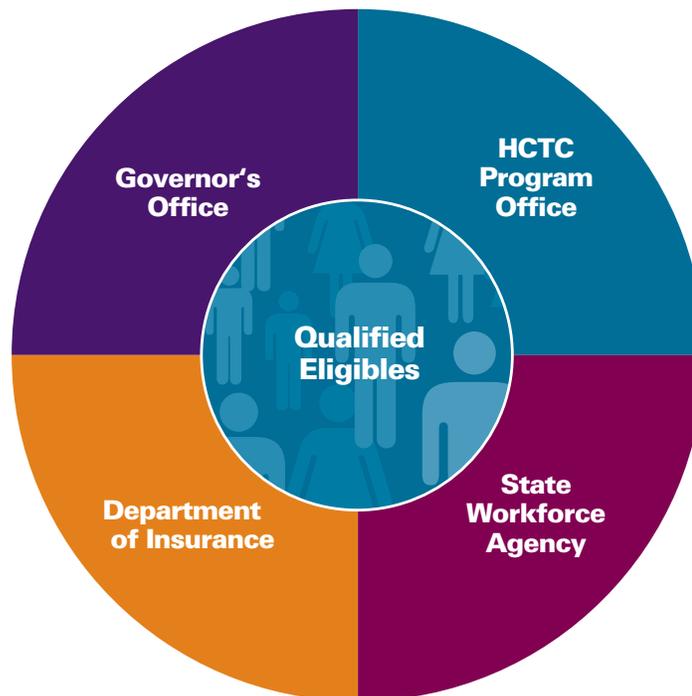
WORKING TOGETHER

Partnership

The Health Coverage Tax Credit program is a unique partnership in which the governor's office and key state agencies work with the federal government and private industry to help lower the cost of health insurance and provide much-needed relief to eligible state residents.

Roles and Responsibilities

Here's a brief overview of each partner's suggested roles and responsibilities. By working together, we can all help identify HCTC candidates, inform them, register them in the program and ensure that they receive the benefits to which they are entitled.





General Information

State Workforce Agency

- Identify potentially eligible individuals and transmit the information to the HCTC Program Office through ICON (Interstate Connection Network)
- Apply for federal funding to help cover the costs of setting up and running state HCTC activities
- Educate and train state personnel who interact with potential HCTC participants: Rapid Response teams, One-Stop Career Center personnel, State Call Center personnel
- Reach out to HCTC candidates to help ensure that those who qualify for the program learn about it and register quickly

Governor's Office

- Work with other state agencies to qualify health plans for inclusion in the HCTC program
- Facilitate collaboration among the various state agencies; this could include appointing a leader to guide and monitor implementation of the program in the state
- Support the State Workforce Agency and Department of Insurance in their tasks

(Federal) HCTC Program Office

- Coordinate efforts of all partners
- Provide training, implementation tools and information
- Notify HCTC candidates
- Register HCTC candidates
- Send invoices
- Receive and process co-payments
- Forward complete payments to health plan administrators



General Information

State Department of Insurance

- Work with governor's office to qualify health plans for HCTC participation
- Provide a list of state elected health plans to the HCTC Program Office

Health Plan Administrators

- Provide qualified health plan options
- Develop new insurance products if necessary
- Enroll individuals in qualified health plans
- Answer health plan enrollment questions from enrollees

Eligible Recipients

- If necessary, select and enroll in a qualified health plan
- Register for the HCTC through the Customer Contact Center or through the mail-in registration option
- Arrange for premium payments
- Inform the HCTC Customer Contact Center of any change in eligibility status or changes to health plan information

Employers

- May provide Department of Labor with COBRA information
- Forward list of potential TAA/ATAA-eligible individuals to state workforce agencies
- Provide HCTC information to HCTC candidates upon separation from employment
- Invite Rapid Response teams to meet with TAA/ATAA-eligible individuals



General Information

HCTC TIMELINE

Ongoing

- States qualify health plans and notify HCTC Program Office
- States may request funds to establish infrastructure

August 2002
Legislation passed

May/June 2003

HCTC Program Office participates in DOL roundtable meetings

June 2003

HCTC Program Office delivers Toolkits

June 2003

Redesign of HCTC content on IRS.gov website

June 2003

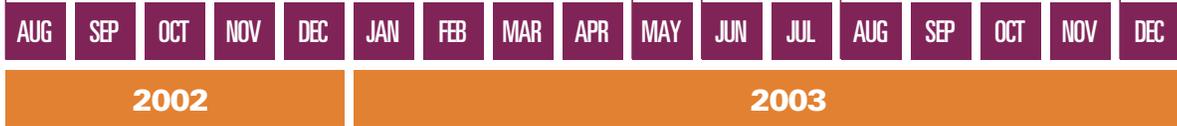
Outreach to potential HCTC candidates begins

August 1, 2003

Participant registration begins at HCTC Customer Contact Center

December 31, 2003

End of '03 Taxes
Beginning of '04 Taxes





General Information

STATE READINESS CHECKLIST

The following section lists the tasks necessary to implement the HCTC program in your state. It also provides information on procedures and online links that will help you get the HCTC program up and running most efficiently.

Qualify Health Plans

- a. Review state legislation to determine if any state legislative changes are required to qualify alternative health plans
- b. Propose/pass legislation changes
- c. Contact health plans
- d. Select qualified health plan(s)
- e. Complete and mail elections letter to the Department of Treasury
- f. Continue efforts to involve new health plan options

Education and Training

- a. Appropriate State Workforce Agency (SWA) employees attend a Department of Labor roundtable discussion or review presentation material
- b. Review the HCTC information on IRS.gov website
- c. Conduct training for state frontline career consultants who interact with HCTC candidates

Outreach to HCTC Candidates

- a. Update state website with the HCTC information or link to IRS.gov website (IRS keyword: HCTC)
- b. Make HCTC brochures available to HCTC candidates
- c. Train One-Stop Career Center personnel
- d. Train Rapid Response teams
- e. Train State Call Center personnel



General Information

STATE READINESS CHECKLIST cont'd.

Interstate Connection Network (ICON) File Transmission

- a. Complete programming for file creation
- b. Submit record layout to Lockheed Martin for certification
- c. Complete ICON file transmission integration testing
- d. Certify and validate ICON file transmission process for daily submission to the HCTC Program Office

Department of Labor National Emergency Grant Infrastructure

- a. Request NEG infrastructure funds (if applicable)



General Information

FREQUENTLY ASKED QUESTIONS

Q: Who is potentially eligible for the HCTC?

A: In general, individuals may claim this credit if:

- They are receiving Trade Readjustment Allowances (TRA) under the Trade Adjustment Assistance (TAA) program, or would be receiving TRA if their unemployment benefits were exhausted
- They are receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program, or
- They are receiving benefits from the Pension Benefit Guaranty Corporation (PBGC) and are at least 55 years old

Q: What conditions exclude people from being eligible?

A: Individuals are not eligible for the HCTC for any month if on the first day of such month:

- They are enrolled in a health plan maintained by an employer or former employer that pays (or the employee pays with pre-tax dollars) at least 50% of the cost of coverage
- They are entitled to health coverage under Medicare Part A or enrolled in Medicare Part B
- They are enrolled in your state's Medicaid program
- They are enrolled in the State Children's Health Insurance Program (SCHIP)
- They are enrolled in a plan in the Federal Employees Health Benefit Program (FEHBP)
- They are entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS)
- They are imprisoned by a federal, state or local authority

Individuals are not eligible for the HCTC during any year for which they can be claimed as a dependent on someone else's federal income tax return.

Q: What information should I give potential HCTC Candidates?

A: You are not expected to explain the details of the HCTC program. Instead, give interested parties the HCTC brochure (available upon request from the HCTC Customer Contact Center) and refer them to the HCTC Customer Contact Center.

The toll-free number is 1-866-628-HCTC (1-866-628-4282)

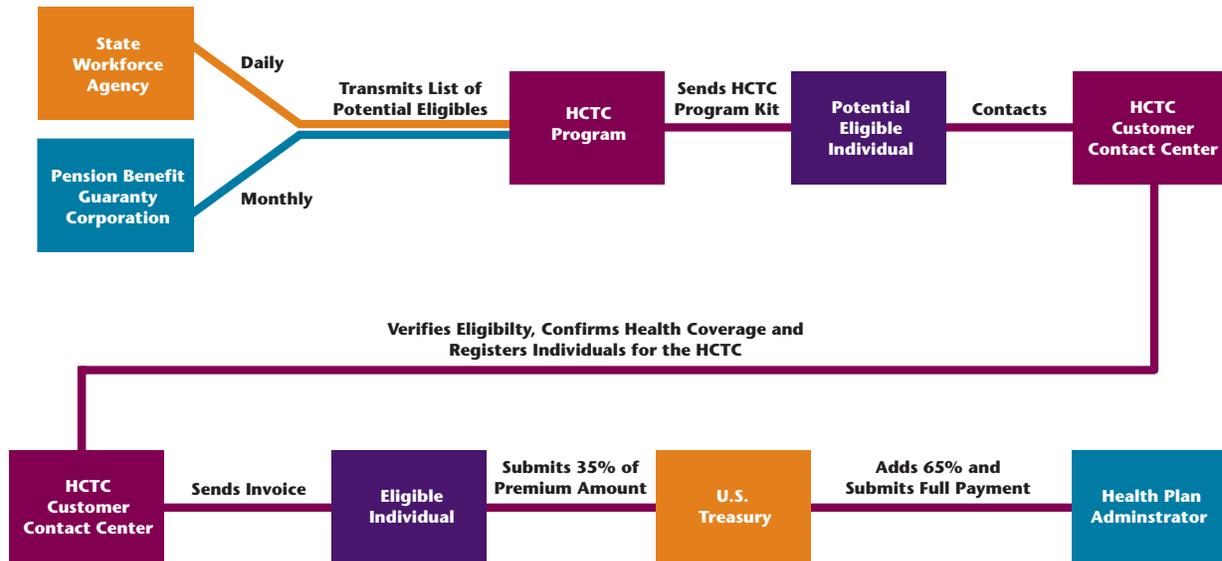
TDD/TTY callers, please call 1-866-626-HCTC (1-866-626-4282).

Hours of operation: 7:00 AM to 7:00 PM Central time, Monday through Friday



General Information

Q: How does the HCTC program work?



Q: Who decides if a candidate is eligible for the HCTC?

A: The states and PBGC will submit lists of candidates, but the HCTC Program Office will determine final eligibility.

Q: For what kind of health plans can the HCTC be claimed?

A: For registered individuals, the HCTC program will subsidize 65% of the eligible premium for a qualified health plan. The following types of health plans are qualified:

- COBRA continuation coverage, unless the employer or former employer pays 50% or more of the premium cost
- Individual coverage which the HCTC candidate was enrolled in at least 30 days prior to separation from the job that made him/her eligible for TRA benefits, ATAA benefits, or payments from the PBGC
- State-qualified health plans (you can get a current list from the HCTC Customer Contact Center at 1-866-628-HCTC or on the IRS website)
- Spouse’s insurance from work, if the employer (or the employee on a pre-tax basis) contributes less than 50% of the cost of coverage



General Information

Q: How do other health plans become qualified?

A: Each state may qualify additional plans. To be eligible, a plan must meet the following four requirements:

1. Guaranteed issue: Qualifying individuals must be guaranteed enrollment regardless of their medical status and must be permitted to remain enrolled so long as they pay the premium
2. No preexisting condition restrictions: No preexisting condition restriction may be imposed on qualifying individuals
3. Nondiscriminatory premium: The premium charged for a qualifying individual may not be greater than the premium for a similarly situated person who is not receiving the credit
4. Similar benefits: Benefits are the same (or substantially the same) under coverage provided to similarly situated individuals who are not qualifying individuals

Note: Under the act, a “qualifying individual” is a person who is eligible for the tax credit and who has three months or more of creditable coverage without a break in coverage of more than 63 consecutive days at the time of the application. A qualified plan does not have to guarantee issue to eligible individuals who do not meet this criterion, but if the plan does provide coverage, it may impose a preexisting condition restriction on such individuals in the same manner as it would for non-HCTC eligible applicants.

To learn what plans are qualified in your state, call the HCTC Customer Contact Center at 1-866-628-HCTC (1-866-628-4282) or visit <http://www.irs.gov> (IRS keyword: HCTC)

Q: If the HCTC is a federal program, why do states have to get involved?

A: While the HCTC program is administered at the federal level, in order to participate state governments are required to take certain actions.

Q: How can states participate in the HCTC program?

A: States are required to identify and transmit TAA candidates to the HCTC Program Office. They are also encouraged to qualify health plans, reach out to individuals, attend HCTC meetings and presentations, and train their personnel about the HCTC program.



General Information

Q: What if a state does not qualify any health plans?

A: If an automatic option is applicable, participants may choose from one of the automatically qualified plans. However, the intent of the HCTC program is to encourage widespread participation in order to enhance customer choice and ensure the success of the program.

Q: Can a health plan withdraw from the HCTC program?

A: Yes. In this case, the plan's enrollees can sign up with another qualified plan, if available.

Q: What if no other qualified health plan options are available?

A: The enrollee will only be able to select from the automatically qualified health plans such as COBRA. If none are available to the individual, then he/she cannot claim the credit.

Q: Can a state add or change its qualified health plans at a future date?

A: Yes. The state must notify the HCTC Program Office of any changes.



General Information

CONTACT INFORMATION

HCTC Customer Contact Center	<ul style="list-style-type: none">• Toll free at 1-866-628-HCTC (1-866-628-4282)• TDD/TTY callers, please call 1-866-626-HCTC (1-866-626-4282).• Hours of operation: 7:00 am to 7:00 pm Central time, Monday through Friday
Grant Information	<ul style="list-style-type: none">• National Emergency Grants: http://wdr.doleta.gov/directives/attach/TEGL10-02.html
ICON Programming	<ul style="list-style-type: none">• Please contact your DOL Regional Office
Website	<ul style="list-style-type: none">• http://www.irs.gov (IRS keyword: HCTC)
Other	<hr/>